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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

UNITED STATES OF AMERICA,	)	<b>CASE NO. 23-0489 BLF</b>
	)	
Plaintiff,	)	<b>UNITED STATES' SENTENCING</b>
	)	<b>MEMORANDUM</b>
v.	)	
	)	Date: May 7, 2024
SAGIREDDY PULLA REDDY,	)	Time: 9:00 a.m.
	)	
Defendant.	)	Hon. Beth L. Freeman
	)	
	)	
	)	

**I. INTRODUCTION**

Defendant Sagireddy Pulla Reddy is the third co-conspirator to be sentenced by the Court for a multi-year fraud perpetrated against Company-1. Unlike the other defendants, though, Reddy was not a Company-1 employee. He runs a software engineering company in Southern India, SP Soft Pvt. Ltd. ("SP Soft India"). To gain a foothold into the U.S. market from approximately 2011 through 2019, Reddy paid kickbacks to his co-conspirators who caused Company-1 to award him with lucrative vendor contracts. The fraud did not stop there, though. Reddy agreed to be the frontman for a China-based company, ultimately known as SP Soft China, owned by co-conspirators Kevin Chao and Richard Sze.

1 Company-1 awarded contracts to SP Soft China, believing it was a subsidiary of Reddy's Indian  
2 company. What Company-1 did not know was that its own employees, Chao and Sze, ran SP Soft  
3 China, and that the two men paid Reddy a percentage of that vendor contract for his assistance in their  
4 deceit.

5 Reddy's payment and receipt of kickbacks fueled the fraud for years and earned Reddy's  
6 company millions of dollars. Reddy's felony conviction underscores the seriousness of the conduct and  
7 its lengthy duration. As a result, he likely will be barred from entering the United States for 15 years,  
8 affecting his ability to conduct substantial business in this country. In recognition of the harm caused,  
9 Reddy pre-paid restitution in this case – \$512,000, which reflects the amount that he was paid by Chao  
10 and Sze to facilitate the SP Soft China scheme. Weighing the sentencing factors, a further prison  
11 sentence is unnecessary. The significant collateral consequences further both specific and general  
12 deterrence; the three days that Reddy spent in pretrial detention following his arrest when he entered the  
13 United States is significant for an individual with no prior criminal history; and his prompt plea and  
14 restitution payment reflect a meaningful acceptance of responsibility. As recommended in the plea  
15 agreement, the government respectfully requests that this Court sentence Reddy to time served, three  
16 years of supervised release, a \$100 special assessment, and \$512,000 in restitution.

## 17 **II. PROCEDURAL POSTURE**

18 On October 7, 2023, the Honorable Lisa J. Cisneros, U.S. Magistrate Judge, signed a criminal  
19 Complaint charging Reddy with one count of conspiracy to commit wire fraud and honest services  
20 fraud, in violation of 18 U.S.C. § 1349. Presentencing Report ("PSR") ¶ 1. The same day, agents of the  
21 Federal Bureau of Investigation (FBI) arrested Reddy as he entered the country through San Francisco  
22 International Airport (SFO). On October 10, 2023, he was arraigned on the Complaint and released on  
23 bond. PSR ¶ 5.<sup>1</sup> On January 2, 2024, Reddy pled guilty to one count of conspiracy, in violation of 18  
24 U.S.C. § 317, which was brought by Information the prior month. PSR ¶ 2. Following his plea, with the  
25 government's agreement, Reddy returned to India pending sentencing on May 7, 2024.

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28 <sup>1</sup> The PSR notes that Reddy's initial appearance occurred on October 7, 2023. PSR ¶ 5. This appears to be a typo as the initial appearance took place on Tuesday, October 10, 2023.

### 1 III. FACTUAL BACKGROUND

2 The government concurs with the recitation of the offense conduct in the PSR and encourages  
3 the Court to adopt it. Because of the complexity of the fraud and Reddy's role in it, the government  
4 briefly summaries the conduct below.

5 Over the course of eight years, Reddy both paid and accepted kickbacks as part of this broad  
6 fraud against Company-1.<sup>2</sup> He initially met co-conspirators Chao and Sze through another Company-1  
7 employee, Suryanarayana Murthy Bobba.<sup>3</sup> See PSR ¶ 13; Dkt. 33, Plea Agreement ¶ 2. Bobba  
8 explained that he, Chao, and Sze operated Zillsoft, a U.S.-based software engineering outsourcer whose  
9 main client was Company-1. Bobba pitched Reddy on buying Zillsoft, therefore inheriting its vendor  
10 contract with Company-1. *Id.* As part of the deal, Bobba, Chao, and Sze would cause additional vendor  
11 contracts to be awarded to Reddy and in exchange Reddy would kick back 20 percent of the gross  
12 amount billed on those contracts. Reddy agreed to the deal and incorporated a California-based  
13 subsidiary of SP Soft India ("SP Soft USA"), which purchased Zillsoft and began working for  
14 Company-1. *Id.*

15 The arrangement added another layer of deceit in 2015 when Chao, Sze, and Reddy agreed to a  
16 further aspect of the scheme. Chao and Sze owned a China-based entity that could provide software  
17 development services to Company-1. PSR ¶ 15. To sidestep Company-1's conflict of interest rules,  
18 Reddy agreed to tell Company-1 that the China-based entity, known as SP Soft China, was a new  
19 foreign subsidiary of SP Soft India. *Id.* In exchange, Chao and Sze paid Reddy three percent of SP Soft  
20 China's invoices to Company-1. *Id.*

21 Company-1's internal investigation found that between 2012 and 2019, it paid SP Soft USA \$36  
22 million. PSR ¶ 17.

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26 <sup>2</sup> The PSR identifies the victim by name, but the government understands that the victim prefers  
to be referenced as "Company-1" in public documents.

27 <sup>3</sup> Reddy's co-conspirators are charged in separate cases that have all been related under the Local  
28 Rules. See *United States v. Richard Sze*, No CR 23- 0118 BLF; *United States v. Suryanarayana Murthy  
Bobba*, No. CR 23-0119 BLF; and *United States v. Kevin Chao*, No. CR 23-0222 BLF.

#### IV. U.S. SENTENCING GUIDELINES

The parties and the U.S. Probation Office (“Probation”) agree that the applicable Guidelines are as follows:

	U.S.S.G. Section	Level/Points
Base Offense Level	• 2X1.1; 2B1.1(a)(1)	+6
Enhancements		
• Loss between \$250,000 and \$550,000	• 2B1.1(b)(1)(G)	+12
• Sophisticated means / portion of offense occurred abroad	• 2B1.1(b)(10)(B-C)	+2
Reductions		
• Zero-point Offender	• 4C1.1	-2
Acceptance of Responsibility	• 3E1.1	-3
Total Offense Level		15
Advisory GL Range - CHC I		18-24 months

The parties agree that the applicable loss that can be proven by a preponderance of the evidence falls between \$250,000 and \$550,000, which is the amount paid to Reddy as kickbacks for his agreement to represent SP Soft China as a subsidiary of his company. Those kickbacks, totaling \$512,000, were unrelated to any services provided by SP Soft USA to Company-1. As noted in the PSR, Reddy argues that aside from these specific kickbacks, the money paid by Company-1 on the vendor contracts with SP Soft USA were for services rendered at a competitive market price. PSR ¶ 17, n.1. These kickbacks, though, were unrelated to any services provided by Reddy’s company and therefore constitute a clear loss to Company-1.

As the government noted during sentencings of co-conspirators, the government’s position with respect to fraud “loss” here is limited to the particular requirements for determining loss under U.S.S.G § 2B1.1(b)(1). The government takes no position on potential overall “loss” faced by Company-1 as defined in other areas of the law or any claims for further redress that Company-1 may have.

#### V. ARGUMENT

The Court should impose a sentence sufficient, but not greater than necessary, to reflect the purposes of sentencing that Congress identified in 18 U.S.C. § 3553(a)(2). *United States v. Carty*, 520

1 F.3d 984, 991 (9th Cir. 2008). The Court should begin by calculating the correct sentencing range under  
2 the Sentencing Guidelines. *Id.* The Guidelines are “the ‘starting point and the initial benchmark,’”  
3 *United States v. Ellis*, 641 F.3d 411, 415 (9th Cir. 2011) (quoting *United States v. Kimbrough*, 552 U.S.  
4 85, 108 (2007)), and the Court should “remain cognizant of them throughout the sentencing process.”  
5 *United States v. Gall*, 552 U.S. 38, 50 n.6 (2007). After determining the appropriate Guidelines  
6 calculations, the Court should then evaluate the sentence for substantive reasonableness in light of the  
7 factors set out in Section 3553(a). *Carty*, 520 F.3d at 991-93. Here, considering the history and  
8 characteristics of the defendant, the need for a just punishment, and the need to afford adequate  
9 deterrence, a probationary sentence is sufficient to vindicate the statutory sentencing factors. 18 U.S.C.  
10 § 3553(a)(1), (a)(2)(B).

11 Reddy stands in a unique position compared to co-conspirators previously sentenced by this  
12 Court. Unlike Chao, Sze, and Bobba, Reddy owed no duty of loyalty to Company-1. But as the one  
13 outsider in the conspiracy, he was fundamental to the scheme. Without Reddy, the conduct may have  
14 ended in the early days when Chao, Sze, and Bobba found the Zillsoft fraud unwieldy to manage.  
15 Instead, Reddy’s agreement to buy Zillsoft and pay the kickbacks allowed the scheme to flourish and  
16 ultimately expand.

17 That expansion found Reddy in a new role as one who both paid kickbacks, but also received  
18 them. In doing so, Reddy made the \$512,000, while also ensuring that Chao would continue causing  
19 Company-1 to award SP Soft USA millions in vendor contracts. It was a mutually beneficial and  
20 financially lucrative deal. At the heart of this fraud was greed and a willingness to make a profit and get  
21 ahead through lies. Reddy is a sophisticated businessman running a seemingly successful company in  
22 India. He could have entered the U.S. market honestly. He *chose* not to. He *chose* to participate in a  
23 complicated scheme where he paid kickbacks through shell companies. He *chose* to lie to Company-1  
24 executives regarding his relationship with SP Soft China. This was not passive conduct where Reddy  
25 could sit back and collect his end of the deal. On nearly a weekly basis, he had to create invoices to  
26 Company-1 reflecting the work performed by SP Soft USA and SP Soft China. PSR ¶ 16. Because he  
27 had no actual role at SP Soft China, he was provided with the hours worked by engineers there and  
28 combined them with his own engineers at SP Soft USA and SP Soft India. *Id.* Over and over he made

1 this false representation that he ran SP Soft operations in the United States, India, and China.

2 The conduct standing alone weighs in favor of a custodial sentence. The remaining sentencing  
3 factors, however, indicate that a noncustodial sentence is appropriate when considering Reddy's  
4 individual circumstances.

5 In October 2023, the FBI awaited Reddy as he landed in this District. He was immediately  
6 arrested and held in Santa Rita Jail for three days until he was released on bond. Pursuant to that bond,  
7 Reddy remained in this District for nearly three months (aside from one domestic trip approved by the  
8 Court), residing in an extended stay hotel, as the government and defense counsel worked through the  
9 charges and relevant evidence. The government recognizes the impact of that experience on an  
10 individual with no criminal history who was halfway around the world from his family and the life that  
11 he knew. Reddy promptly accepted responsibility, entering a guilty plea and setting aside the money for  
12 restitution within three months of his initial arrest. Since his return to India, Reddy has complied with  
13 all requirements imposed by the Department of Homeland Security to facilitate his return to the United  
14 States. This involved traveling domestically within India to the U.S. Embassy in New Delhi to receive  
15 parole travel documents allowing him to return to the United States for sentencing. The government  
16 considers these actions to speak to Reddy's genuine acceptance of responsibility.

17 Further, as a foreign national, the effect of a conviction alone is substantial. It is likely that  
18 Reddy will be barred from entering the United States for at least 15 years.<sup>4</sup> While not making it  
19 impossible to conduct business in the United States, the travel bar serves as a significant impediment to  
20 meaningfully building business in this country, which was one of the main reasons Reddy entered the  
21 conspiracy in the first place. The conviction, therefore, furthers both specific and general deterrence as  
22 it prevents Reddy from committing similar acts affecting individuals or companies in the United States  
23 and it sends a clear message that foreign nationals who seek to get ahead and profit from U.S. commerce  
24 through illicit means will face consequences.

25 Considered together, the few days that Reddy served in jail, the effect on his ability to travel to  
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27 <sup>4</sup> Under the Immigration and Naturalization Act, individuals convicted of certain criminal  
28 offenses may apply for a waiver of inadmissibility 15 years after the event making them inadmissible.  
See 8 U.S.C. § 1182(h).

1 and do business in the United States, and his acceptance of responsibility through his plea, return for  
2 sentencing, and restitution payment indicate that a sentence of time served, and three years of supervised  
3 release is a sufficient but not greater than necessary punishment for the underlying conduct.

4 **VI. CONCLUSION**

5 The government respectfully recommends that the Court impose a sentence of time served  
6 followed by of three years' supervised release, restitution in the amount of \$512,000, and a mandatory  
7 \$100 special assessment. The government agrees with Probation that Reddy has the ability to pay a fine  
8 but defers to the Court on whether to impose a fine and in what amount.

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10 DATED: April 30, 2024

Respectfully submitted,

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12 United States Attorney

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